

UNITED NATIONS
GENERAL
ASSEMBLY



Distr.
GENERAL

A/32/8/Add.16
30 November 1977

ORIGINAL: ENGLISH

Thirty-second session
Agenda items 109 and 100

REPORT OF THE INTERNATIONAL CIVIL SERVICE COMMISSION
PROPOSED PROGRAMME BUDGET FOR THE BIENNIUM 1978-1979

Seventeenth report of the Advisory Committee on
Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the administrative and financial implications of recommendations by the International Civil Service Commission 1/ and of related recommendations by the Secretary-General (A/C.5/32/51). The Advisory Committee had before it the comments of the Administrative Committee on Co-ordination on the report of the Commission (A/32/362). The Committee noted that the aforesaid recommendations gave rise to administrative and financial implications in two areas:

(a) The operation of the post adjustment system for staff in the Professional and higher categories,

(b) General Service salaries at Geneva.

Operation of the post adjustment system for staff
in the Professional and higher categories

2. Under the existing system, the post adjustment classification of individual duty stations changes upwards (assuming no variation in the dollar parity of the local currency) whenever the local cost-of-living index rises by 5 points in relation to the base 100 (currently New York, November 1973) and remains at or above that level for four months. In paragraph 57 of its report the International Civil Service Commission recommends that, with effect from 1 July 1978, the system of post adjustments be revised to provide that changes in classes of post adjustment be based on index movements of 5 per cent rather than of 5 points.

1/ Official Records of the General Assembly, Thirty-second Session,
Supplement No. 30 (A/32/30).

Having examined the Commission's proposals, ACC has come to the conclusion that the refinements it is intended to bring into the post adjustment system would be offset by its drawbacks (A/32/362, annex, para. 7). Both the administrations and the staff are of the view that it would be preferable to retain the existing method. 2/

3. The Advisory Committee notes that under the system proposed by the International Civil Service Commission, the intervals between changes in the post-adjustment classification of individual duty stations would be longer than at present, especially at high-class duty stations, 3/ but the dollar amount of each "class" would be larger. The impact of the proposal on budgetary requirements in a given financial period would depend on several variables, including the percentage accumulated at the beginning of the financial period towards the next class of post-adjustment at a given duty station, and the rate of inflation.

4. The Committee sought information from the Secretary-General on the estimated impact of the proposal on budgetary requirements in New York, Geneva and Vienna (assuming a stable exchange rate at the latter two duty stations) in the biennium 1978-1979. The figures provided by the Secretary-General show higher requirements in 1978 (attributable in part to the fact that the proposed system would be introduced only as at 1 July 1978) and lower requirements in 1979, giving a net reduction of \$17,000 for the biennial budget as a whole. For New York the expected impact in 1978-1979 is zero, additional requirements are expected to arise at Geneva, but these would be more than offset by expected savings in Vienna. The Advisory Committee was informed that, if the assumed rate of inflation remained unchanged, the saving in 1980-1981 would be larger than the \$17,000 estimated for 1978-1979.

5. The Secretary-General has informed the Advisory Committee that, should the General Assembly approve the Commission's recommendation, the impact on the programme budget for the biennium 1978-1979 would not be significant enough to call for the revision of estimates under individual sections. While the Committee has no grounds for questioning the Secretary-General's conclusions, it intends to monitor the question at its autumn 1978 and autumn 1979 sessions in the light of developments in the course of the biennium.

General Service salaries at Geneva

6. In section I, paragraph 1, of resolution 31/193 B of 22 December 1976, the General Assembly requested "the International Civil Service Commission, as a matter of urgency, to establish, under the authority of article 11 (a) of its statute, the methods by which the principles for determining conditions of service in the General Service category at Geneva should be applied and, on the basis of such

2/ Ibid., paras. 50 and 51.

3/ For example, under the present system, when a duty station is in class 14 (which was reached by Geneva on 1 October 1977) it takes a cost-of-living increase of only 2.94 per cent to trigger transition to class 15.

methodology and under the authority of article 12, paragraph 1, of its statute, to have a survey made of local employment conditions at Geneva, to make recommendations as to the salary scales deemed appropriate in the circumstances and to inform the General Assembly at its thirty-second session of the actions taken in this regard".

7. Having carried out the survey ^{4/} the Commission has recommended a new net salary scale as at 1 January 1978. ^{5/} As the Chairman of the International Civil Service Commission informed the Fifth Committee at its 47th meeting, on 22 November 1977, the scale "represents an average reduction of 17 per cent compared with the existing salary scale" (A/C.5/32/50).

8. In paragraph 183 of its report, after recalling that its mandate was "to recommend the salary scale it deemed appropriate", the Commission stated that "it is now for the executive heads, to whom its recommendation is addressed, to determine the modalities and administrative measures to be taken for its implementation. However, the Commission expects that appropriate transitional arrangements would be worked out for the new scale to come into force with effect from 1 January 1978."

9. At the 48th meeting of the Fifth Committee, on 22 November, the Secretary-General informed the Committee that he and the executive heads of the Geneva-based agencies were in basic agreement to accept the report and its findings and that they intended to introduce the new salary scales recommended by the Commission, with effect from 1 January 1978 (A/C.5/32/51). The implementation procedures for the United Nations outlined by the Secretary-General provide that:

(a) As from 1 January 1978, all staff will be placed on the new scale, existing staff being placed at the grade and step attained by them as of that date;

(b) All existing staff will receive a personal transitional allowance equal, in each individual case, to the exact difference in Swiss francs between the amount that would have been payable on 1 January 1978 under the existing scale, and the amount payable under the new scale,

(c) Should the new scales be increased at some future date to reflect cost-of-living movements, the transitional allowances would be reduced in each individual case by an amount equal to the amount of the increase;

(d) The new scales will be used to determine step increments and increases resulting from promotions. The payment of such increases will not affect the amount of the transitional allowance payable in each individual case.

The situation will be reviewed in the light of the next report of the International Civil Service Commission on General Service salaries in Geneva which is expected to be available in 1980 and reflect the results of a survey to be carried out late in 1979.

^{4/} Official Records of the General Assembly, Thirty-second Session, Supplement No. 30 (A/32/30), paras. 118-170, and annex III.

^{5/} Ibid., annex III L.

Financial implications of the Secretary-General's recommendations
for the programme budget for 1978-1979

10. In section I, paragraph 7, of resolution 31/193 B, the General Assembly urged the Secretary-General, after making any upward interim salary adjustments appropriate for General Service staff at Geneva as at 1 January 1977, "to refrain from making any further upward interim adjustments and from entering into any further commitments as to emoluments of General Service category employees at Geneva until the report and recommendations of the International Civil Service Commission ... have been submitted". Accordingly, the proposed programme budget for the biennium 1978-1979 contains no provision for increases in General Service salaries at Geneva over the current scale (which became effective on 1 January 1977).

11. The introduction, in the manner recommended by the Secretary-General, of the lower scale recommended by the International Civil Service Commission, will give rise to savings under the programme budget for the biennium 1978-1979. In the case of serving staff, the operation of the transitional allowance referred to in paragraph 9 above will limit the extent of the saving to the difference between the amount of the step increment or increase resulting from a promotion under the current scale and the new scale. In the case of new staff and of short-term staff engaged after 31 December 1977, the full saving will be realized. There will also be a consequential reduction in the United Nations contribution to the United Nations Joint Staff Pension Fund.

12. At the request of the Advisory Committee, the Secretary-General provided the Committee with statistical data on the composition of the General Service staff at Geneva by grade and step, estimates of staff turnover and the savings expected to arise in 1978-1979 as a result of the introduction of the new salary scales. The Committee was informed that of the 1,495 General Service staff currently on the Geneva payroll, 177 are at the top step. The concentration of staff at the top steps of their grade is proportionately highest in the most highly paid grades (34 out of 82 in grade G-7, and 58 out of 189 in grade G-6). Furthermore, if staff turnover continues at the current low rate of 5 per cent per annum, nearly all staff in grades G-7 and G-6, and the vast majority of staff in grade G-5, will have reached the top of their grade within four years. The Secretary-General calculates that the savings in 1978-1979 would be as follows:

	(US dollars)
Reduced value of step increments under the new salary scale . . .	175,000 <u>a/</u>
New staff appointed on new salary scale, to replace separated staff	318,500
Recruitment of staff to new posts	20,700
Recruitment of short-term staff on new short-term salary rates under temporary assistance provisions	713,300
Reduction of United Nations contribution to Joint Staff Pension Fund	<u>102,500</u>
	<u>1,330,000</u>

a/ Based on the actual number of staff in each grade.

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13. The section-by-section breakdown of the total of \$1,330,000 is given in the annex to this report.

Observations of the Advisory Committee

14. The International Civil Service Commission has found that General Service staff at Geneva currently receive emoluments that are considerably higher than those to which they are entitled under the concept of "best prevailing conditions". Information provided to the Advisory Committee shows that the aggregate amount of the personal transitional allowance in 1978 for the 1,495 General Service staff in the United Nations Office at Geneva (1,340 under the regular budget and 155 extrabudgetary) is estimated at nearly 11.9 million Swiss francs net (\$4.7 million at US \$1 = Sw.fr. 2.51). In other words, if the General Service salary scale recommended by the Commission for Geneva were applied without any transitional allowances, the contributions (assessed and voluntary) of Member States in respect of 1978 could be reduced by \$4.7 million (approximately \$4.2 million under the regular budget and \$0.5 million in extrabudgetary resources).

15. Given the modalities of the implementation of the new procedures outlined by the Secretary-General (see para. 9 above), it will take several years to phase out the personal transitional allowance. Assuming an inflation rate of 3 per cent a year and a turnover rate of 5 per cent, the need for personal transitional allowances will disappear in five or six years, and the cumulative cost of these allowances will be of the order of 36 million Swiss francs (\$14.4 million at US \$1 = Sw.fr. 2.51).

16. In this connexion the Committee notes that the savings indicated in paragraph 12 above will be achieved only if measures are taken to ensure strict adherence to the new scale and to the personal transitional arrangements outlined by the Secretary-General.

17. In paragraph 9 above reference was made to the reduction in the personal transitional allowance when the new scales are increased to reflect cost-of-living movements. This transitional arrangement is based on paragraph 184 of the report of the International Civil Service Commission which, in part, reads as follows:

"184. In order to calculate the amount of future adjustments to the new salary scale, the Commission considered that in present circumstances and having regard to the practice of most outside employers in Geneva, it would be appropriate to use the movement of the Geneva consumer price index from 1 January 1978, subject to a check being made every year or two years against the movement of the OFIAMT wage index. If, for the corresponding period, the OFIAMT index showed a significantly higher rate of increase than the consumer price index, the Commission would consider whether a further adjustment would be justified. In light of the current rate of movement of both indexes, the Commission was of the opinion that it would be sufficient to grant such increase as might be due once a year, /emphasis added/ as was done by most of the outside employers. That arrangement could be reviewed if necessary in two or three years' time or when the next survey was carried out in Geneva ..."

/...

The Advisory Committee is of the opinion that the Secretary-General should submit a report to the General Assembly towards the end of its thirty-third session on movements in the Geneva consumer price index in 1978.

18. It should also be borne in mind that the amount of savings which the introduction of the new scale is expected to achieve would not be attained if short-term rates were to be adjusted by relating them to a higher step in a given grade than has been the case hitherto, or if it became the practice to appoint new staff above step I.

19. The Advisory Committee also urges that any appointments made to General Service positions between now and the end of the year should be initially on short-term contracts expiring on 31 December 1977 so as to avoid creating new entitlements in 1978 under the existing scales.

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ANNEX

Estimate by the Secretary-General of the savings which will arise in the biennium 1978-1979 as a result of the introduction at Geneva on 1 January 1978 of the General Service salary scale recommended by the International Civil Service Commission

<u>Section</u>		<u>In US dollars</u> <u>(at \$1 = Sw.fr. 2.51)</u>	
1.	Over-all policy-making, direction and co-ordination		5 900
5A.	Department of Economic and Social Affairs		2 600
6.	Economic Commission for Europe		61 800
11A.	United Nations Conference on Trade and Development		176 900
14.	International drug control		15 300
16.	Office of the United Nations High Commissioner for Refugees		50 100
17.	Office of the United Nations Disaster Relief Co-ordinator		10 700
18.	Human rights		35 400
21.	Public information		9 200
22	E. Internal Audit and Management Improvement Service	3 300	
	G. Administrative and Financial Services, Geneva .	36 400	
	H. General Services Division, Geneva	228 000	
	I. Technical Assistance Recruitment Service, Headquarters and Geneva	3 000	
	J. Staff training activities (Headquarters, Geneva and the regional commissions)	1 800	
	L. United Nations participation in jointly financed administrative activities	<u>5 600</u>	278 100
23	B. Conference services, Geneva	652 000	
	D. Library, Geneva	<u>25 600</u>	677 600
25.	Staff assessment		<u>605 000</u>
	Total, gross		1 928 600
Income section 1	Income from staff assessment		(610 100)
Income section 3	Revenue-producing activities		<u>11 500</u>
	Total, net		<u>1 330 000</u>
